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**COMMUNIST PROSPECTS IN MALAYA AND  
BRITISH BORNEO**

*Submitted by the*

**DIRECTOR OF CENTRAL INTELLIGENCE**

*The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.*

*Concurred in by the*

**INTELLIGENCE ADVISORY COMMITTEE**

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## COMMUNIST PROSPECTS IN MALAYA AND BRITISH BORNEO

### THE PROBLEM

To estimate the extent of and prospects for Communist influence in the Federation of Malaya, Singapore, North Borneo, Sarawak, and Brunei over approximately the next five years.

### ASSUMPTION

No war involving the major powers develops during the period of this estimate.

### CONCLUSIONS

1. Under present circumstances, the British-led security forces in the Federation of Malaya almost certainly will be able to contain the Communist guerrilla force, but not to annihilate it or prevent occasional small-unit operations. If the UK granted full self-government and withdrew from the Federation in the next few years, we believe that the Communists, who are about 95 percent Malayan Chinese, almost certainly would take over the territory. However, we believe that the UK, with the strong backing of Australia and New Zealand, will not consent to Malayan independence or withdraw its power until it believes that the Communist insurgency has been reduced to a police problem that the Malayan forces can themselves control. (*Paras. 21, 27, 29*)

2. We believe that the Communists will follow a policy of subordinating guerrilla warfare to political penetration and sub-

version, avoiding actions which would antagonize any large sections of local opinion, although the broad policy of the Malayan Communist Party will almost certainly be guided by the international Communist movement. (*Para. 22*)

3. If Vietnam, Laos, and Cambodia fell to the Communists, and Communist pressure were being directly exerted upon Thailand and Burma, Communist activities in Malaya would be intensified and the general morale of non-Communists in Malaya lowered. Many non-Communist Asians would feel that the Manila Pact was proving ineffective against the expansion of Communism in Southeast Asia. Many more local Chinese would cooperate with the Communists, while some now supporting the government would adopt a wait-and-see attitude. However, we believe that the British authorities could and probably would cope with this more difficult situation. At

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the same time, the British would seek to determine US intentions with respect to the defense of Thailand and Burma. (Para. 36)

4. If, in addition to the foregoing developments, Indonesia also became Communist, Australia might be less disposed to commit substantial forces in Malaya. Nevertheless, the British would continue to hold Malaya until they estimated that the forces that could prudently be committed to its defense were insufficient to maintain the authority of a non-Communist government. In such event, the British and Australian determination to continue their resistance would be dependent upon the kind and amount of support which the US offered them. (Para. 37)

5. In any event, if the Communists came to power in Thailand, recognition would be widespread that the Manila Pact had failed in its purpose. The security situation in Malaya would quickly become critical. Maintenance of border security and preservation of internal control would require an enormous effort. In these circumstances, we believe that the

<sup>1</sup>The Director of Intelligence, The Joint Staff, believes that all of this paragraph after the second sentence should be deleted and the following be substituted:

"In this situation, even though border security could be maintained at an enormous effort, British internal control of Malaya would have been lost as a result of a swing to active support of Communist operations by a large number of formerly pro-British or uncommitted Chinese and Malays. In this circumstance, the introduction of US aid, including military forces, would probably not be effective in recovering Malaya from Communism and would corroborate in the eyes of Asians Communist charges of US imperialism and support of colonialism."

participating Commonwealth powers would foresee the inevitable loss of Malaya, unless prompt and substantial US aid was forthcoming. With such aid, including an agreement to commit US military forces if necessary, the Commonwealth powers probably would elect to defend Malaya.<sup>1</sup> (Para 38)

6. Over the next few years the UK intends to continue Malaya's gradual advance toward self-government. The UK envisages the eventual grant of internal self-government, coupled with the union of the Federation and Singapore, followed some time later by independence. The ultimate objective appears to be the creation of a new Malayan Dominion, in which British economic and strategic interests will be preserved. The British program almost certainly will fail to satisfy the more extreme nationalists, who will probably force some acceleration in that program. (Paras. 28-29)

7. Singapore's future is bound up with that of the Federation. Some expansion of Communist strength and capabilities among Singapore's overwhelmingly Chinese population appears likely over the next five years, although the Communists almost certainly will be unable to take over the colony while the British retain control in the Federation. Communist capabilities probably will be limited to instigating sporadic strikes, disorderly demonstrations, and acts of assassination and sabotage. (Paras. 46-47)

8. In British Borneo, composed of Sarawak, North Borneo, and Brunei, Communist activity is at a low level, and British control almost certainly will remain firm through 1960. (Paras. 49-50)

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## DISCUSSION

## I. THE FEDERATION OF MALAYA

## Background

9. *Recent Political History.* The Federation of Malaya, under the protection of the UK, includes nine Malay states and the Settlements of Penang and Malacca. In accordance with British colonial policy, the UK has encouraged increasing participation by Asians in the administration of government and has granted them fairly steady progress toward the goal of self-government. Although British authorities retain ultimate control, most of the smaller jobs in the public service and a substantial number of senior ones, including some carrying ministerial responsibilities, have been given to Asians. There has apparently been general satisfaction with the pace of political growth, although lately political leaders, as well as student groups and some intellectuals, have begun to demand that the grant of full self-government be hastened. Over the past year or so, political consciousness, political activity, and political demands have expanded significantly.

10. Within the past two years, the first elections to municipal and state legislatures have been held and, under pressure from local political leaders, the British have advanced to 27 July 1955 the first election of members to a federal legislature. The democratic political parties are immature. They were established rapidly to meet the purposes of the elections, and each embraces a wide variety of views on political and economic questions. Following the outbreak of the Communist insurrection in the spring of 1948, the Communist Party was outlawed.

11. *The Population.* Of the Federation's approximately six million people, about 50 percent are Malays, some 38 percent are Chinese, over 10 percent are Indians, and less than one percent are Europeans. The races differ widely in culture, religion, and economic interests. Frictions among them have rarely been serious, but they are suspicious of each other, and they have little social intercourse.

Most of the Malays are Moslems, inhabit the rural areas, and lack the ambitions and skills of the other races. With very few exceptions, they have not been attracted to Communism. The Chinese largely dominate Malayan economic activity. Substantial numbers of them, especially the youth, are attracted by Mao's "New Democracy" — or feel threatened by it — and they are the sources of local Communist strength. A small minority, mostly within the older generation, actively support the Chinese Nationalist government. However, the great majority are passively anti-Communist and conservative, for reasons of economic security. At the same time, they prefer to withhold forthright cooperation with the government against the Communists so long as they consider a Communist take-over to be possible. The Malayan Chinese are the wealthiest of the overseas Chinese communities. The Indians are mostly laborers in western-operated enterprises, and a number of these have risen to important positions in the trade union movement. Communism has had little appeal for the Indians in Malaya.

12. Over the years, the British have followed a policy of attempting to balance power among the races. In practice, this has meant a series of measures to fortify Malay rights against the shrewder, more aggressive Chinese. For example, the British authorities have reserved large land areas and insured a near-monopoly of government jobs for the Malays. The British hope that over the long term the Malays' aptitudes for improving their standing will be raised by education and training programs. Meanwhile, such discriminatory actions tend to promote racial feeling, and to complicate development of a common spirit of unity and of national, as against racial, loyalties. Nevertheless, during the past year, there has been increasing evidence of interracial cooperation and compromise, particularly in the political sphere. Except for the Communist insurrection, there has been virtually no violent anticolonialism.

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13. *The Economy.* The Federation economy depends largely on the export of natural rubber and tin, with rubber accounting for 50 percent of the value of exports and tin 16 percent. The Federation produces approximately one-third of world supplies of those commodities, and it is extremely vulnerable to adverse fluctuations in their international market prices. In addition, production of iron ore has now surpassed one million long tons per year. The strategic mineral, columbite, has been discovered in the tin-bearing region, and uranium-bearing ore deposits are being investigated to ascertain whether they are economically exploitable. Malayan per capita income is the highest in the Far East, about US \$258 in 1950. The Federation is dependent on imports for more than 50 percent of its food staple, rice, most of which is purchased from Burma and Thailand. Its second important import is textiles. Over two-thirds of its trade each way is with the Commonwealth. Trade with the Sino-Soviet Bloc is small. As the principal net contributor of dollars to the reserves of the Sterling Area, the Federation is an important source of British economic strength.

14. The struggle against the Communist insurrection has imposed a sustained heavy economic burden since 1948. The UK has borne the whole cost of the British forces employed against the Communists, the equivalent of about US \$182 million per year, and has also made direct grants to the Federation government for military uses, totalling the equivalent of about US \$40 million since 1949. Nevertheless, military allocations by the Federation over the past five years have averaged more than 27 percent of the annual internal budgets. The 1954 cost of the struggle to the Federation was the equivalent of more than US \$67 million. Although the Communists have failed over the past seven years to disrupt the Malayan economy, they have hindered economic development that would normally have taken place. Nevertheless, programs are afoot for diversifying the economy, improving and expanding agriculture, providing more electrical power and better communications, and generally expanding the national income.

### The Communist Insurrection

15. The Communist rebel forces, now known as the Malayan Races Liberation Army (MRLA), began operations in the spring of 1948, following an international Communist conference in Calcutta earlier that year. The MRLA has since maintained forces at a strength of some 4,500-6,000 under arms. Its supporting agency is the Min Yuen, a net of Communist cells spread across the country, mainly in villages and on the jungle fringe, which with an estimated strength in excess of 10,000 performs supply, intelligence, and recruiting services. There are an unknown number of additional cooperators throughout Malaya, some sympathetic but most influenced by intimidation and hopes of insuring future safety, who aid the MRLA with food and funds. The subversive complex is composed almost wholly of Malayan Chinese; the leaders and hard core are largely foreign-born Chinese. The Malayan Communist Party is a part of the international Communist movement, from which it receives policy guidance. It probably receives some financial support from the local Bank of China, which is Peiping-controlled. The MRLA, which has required relatively small amounts of arms and ammunition, relies heavily for such supplies on stocks retained from the Communists' guerrilla struggle against the Japanese during World War II, and on those captured or stolen locally. Only very limited quantities appear to have come from outside, either across the Thailand border or by sea.

16. The original plan of the rebellion appears to have been the "liberation" of Malaya within a 10 year period and the ultimate establishment of a Malayan Peoples Republic. The struggle was to begin with guerrilla warfare, then become a war of movement with operations in strength, and end up with the capture of cities and general revolution. In fact, the rebellion never passed beyond the guerrilla stage. The Communist rebels reached their peak in 1951, when more than 6,000 incidents of violence were recorded, popular confidence in the protective power of the Federation government widely declined, and the Communists found it relatively easy to

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obtain needed food, money, and information. At this point, the security measures of the British authorities in both the military and civil fields began to take effect.

17. By early 1952 the British had built up land forces composed of some 13,000 British troops, 10,000 Gurkhas, and 12,000 Malay and colonial troops. They had raised the police force, largely Malays under British officers, to a strength of over 50,000, and had begun to arm a Home Guard which ultimately reached three or four times that strength. In addition, they had built up a small tactical air force to carry out air support and air resupply missions, and a modest navy for harbor and coastal patrol. Large-scale military operations were mounted against the MRLA in successive areas, and military pressures upon the rebels were maintained. At the same time rigorous food controls were imposed throughout the countryside—at the cost of some hardship to the civilian population—which made food supplies much more difficult for the MRLA to obtain. An enormous program was pressed forward for moving from the jungle fringe the numerous Chinese squatters who were the major source of the Communists' supplies. With forceful measures when necessary, some 560,000 Chinese eventually were relocated in 546 "New Villages," each with new schools, utilities, and police protection.

18. In 1952 and 1953 the initiative passed increasingly to the Federation government. The MRLA was pressed back deep into the jungle. Its supply and food problems became crucial as easy access to the civil population was denied it. Its morale slipped somewhat, and surrenders of rebels increased. In 1952 recorded MRLA operations dropped to about 3,700, and in 1953, to less than 1,200. The trend had continued downward, and casualties among loyal civilians and the security forces have fallen appreciably, as have casualties among the Communists.

19. The reduction in guerrilla activity was brought about only partly by military pressure. In part this reduction resulted from a revision of tactics by the Communists them-

selves. They abandoned their indiscriminate terrorism, on the grounds that it was antagonizing the Malayan people, and limited their actions to attacks on police posts, infantry patrols, and large plantation and mining establishments, mainly to capture arms and maintain MRLA morale. They set up training and indoctrination camps deep in the jungle, and began to use the jungle-dwelling aborigines as sentinels, scouts, and food-suppliers. With the rise in Communist China's prestige, particularly since the mid-1954 Geneva Conference, and with the Viet Minh success in Indochina, surrenders of Communist guerrillas initially fell appreciably, and the morale and discipline of the rank-and-file improved. Concluding that a broad civil base was necessary to carry forward the revolution, the Communists embarked on a major effort to win popular sympathy, including that of Indians and Malays; to infiltrate and subvert the native Home Guard and police; to penetrate and develop fronts in legal political, students, labor, and social organizations; and to stir up nationalist and anticolonial sentiments. It is notable that, according to captured documents, the Communists are cautioned in the creation of united fronts not to permit Chinese leadership of the party to be jeopardized.

20. The Federation government also has lately begun a switch in military tactics, with the aim of increasing the pressure on the MRLA. It is undertaking to base ground force units for months at a time in Communist-infested areas deep in the jungle, with the mission of disrupting the Communist base organizations, inflicting casualties, cutting communications, and winning away the aborigines. Meanwhile, many of the army's responsibilities in inhabited areas are being turned over to the police and civil authorities in order to maximize the number of troops available for jungle deployment. On the psychological front the authorities are widely publicizing lenient terms for defectors, and rewards for civilians aiding in the capture or killing of Communist guerrillas. Recently, the surrender rate has risen slightly.

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## Outlook

21. *The Communist Insurrection.* Under present circumstances, Federation security forces almost certainly will be able to contain the MRLA, but not to annihilate it or prevent occasional small-unit operations. Security forces<sup>2</sup> will remain at approximately present strengths, although there will be some changes in their composition as Australian and New Zealand contingents arrive. The British intend to maintain offensive pressure on the Communist military force, and will continue to hold the military initiative. But the Malayan jungle will continue to impose great difficulties for security force operations, and we believe that a situation of virtual stalemate will persist.

22. The broad policy of the Malayan Communist Party almost certainly will continue to be guided by the international Communist movement. However, we believe that guerrilla operations will continue to be subordinated to political infiltration and subversion, and to consist of selective terrorism and sabotage, rather than actions which would antagonize any large sections of local opinion. The MRLA probably will concentrate on self-preservation, recruitment, training, and indoctrination of personnel. Its supply problems, especially that of food, will remain serious, and morale accordingly will be damaged, particularly if the British succeed in intensifying the pressures on the guerrillas. On the other hand, Communist successes elsewhere in Asia—in Vietnam, for example—almost certainly would improve the morale of the guerrillas, and would somewhat ease their difficulties in obtaining supplies by covert means from the population. The fall of Thailand to Communist influence would require a major diversion of military strength for border defense, and would increase to a critical degree the problems of the security forces.

<sup>2</sup>Security forces now consist of:

13,000 British troops	50,000 Police
10,000 Gurkhas	200,000 Home Guard
13,500 Malay and colonial troops	plus air and naval forces

23. *Probable Political Developments.* Focusing on the July elections for a new federal Legislative Council, political activity in the Federation has stepped up appreciably. The major competing political organizations are the Alliance, composed of the United Malays National Organization (UMNO) and the Malayan Chinese Association (MCA); the Malayan Indian Congress, which is seeking to affiliate with the Alliance; the Party Negara (PN); and the Labor Party of Malaya (LPM).

24. The *Alliance* was formed by UMNO and MCA more as a vehicle of political expediency than as an expression of common views and interests. The UMNO, which itself embraces conservative and increasingly potent leftist wings, looks to its alliance with the Chinese as providing a source of funds and votes and also as demonstrating that racial unity which the British have postulated as prerequisite to independence. The MCA regards collaboration with the Malays as the best way of obtaining political influence and of preserving Chinese interests and economic power in an eventually independent Malaya. However, many MCA members are alarmed by the UMNO-sponsored call for early self-government, which is the main electioneering platform of the Alliance. The Alliance provides the most outspoken opposition to British political policies, and pursues the most strongly nationalist line of all the active legal parties. With the best grass-roots organization, apparently the most appealing campaign platform, and a record of sweeping successes in local and state elections, the Alliance will probably emerge victorious in the federal elections.

25. The *Party Negara* is more conservative than the Alliance. It favors a more cautious approach to self-government, and cooperates with the colonial administration. It enjoys the support of the sultans and, unobtrusively, of the British authorities, but its popular backing seems small, and it almost certainly cannot challenge the Alliance's political supremacy. The *Labor Party* attacks the Alliance as a "marriage of convenience," and the Chinese component as "capitalistic" and as containing elements of doubtful loyalty.

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It attacks Negara as "British stooges." It represents itself as the defender of the working classes, and the supporter of the welfare state measures of social democracy. The Labor Party is numerically and financially weak, and ineptly led, but it is likely to increase in importance in the coming years. The leaders of all three parties are anti-Communist, but they tend to be complacent about Communist infiltration and subversion tactics.

26. The new federal Legislative Council will be composed of 52 popularly elected members and 46 British-appointed representatives. The constitutional term of the new legislature is four years. Excepting financial, legal, foreign affairs, and defense posts, which will remain in British hands, the Executive Council (Cabinet) will be appointed by the High Commissioner after consultation with the successful party leader or leaders.

27. It is likely that the British authorities will be compelled to grant further constitutional advances toward self-government before the end of the legislative term. With the steady increase in political activity and political consciousness, the tide of nationalism is running ever more strongly in this last large colonial territory of the West on the Eurasian continent. Independence is not an issue between the British and the Malaysians, since there is common agreement that it will be granted eventually. However, the pace of Malay's advance toward self-government is the foremost issue, and it will remain so. The British have repeatedly asserted that they would not grant full self-government and withdraw their power until the Communists had been defeated and a "durable" harmony among the races established. Malaysian leaders have urged the British to agree on a time-table for turning over self-government. The demands with regard to timing vary; the earliest which the Alliance has enunciated is that independence, or agreement about it, be reached by mid-1959, with intermediate steps taking place during the intervening years.

28. The ultimate British objectives are the attachment of an independent Malaysian Do-

minion to the Commonwealth, and the preservation of British economic and strategic interests. For the British, the key problem is to advance the Malaysians politically at a pace neither so slow as to destroy Malayan trust in British intentions and drive them into disorderly and revolutionary activities, nor so fast as to undermine sound administration, order, and the defenses against the Communists. The UK envisages the eventual grant of internal self-government, coupled with a merger with Singapore, followed some years later by independence.

29. The British probably will grant a succession of small advances toward autonomy over the next few years. For example, while retaining control of foreign relations, defense, finance, and military operations against the guerrillas, they probably will increase Malayan responsibilities in connection with public administration and social, economic, and security policy-making; and possibly even agree to a wholly elected federal legislature. Almost certainly the British program will fail to satisfy the more extreme nationalists, who will agitate against the British and perhaps produce occasional strife, abetted by Communists. The nationalists will probably succeed in forcing some acceleration in the program, but we believe that the British will not consent to Malayan independence until they believe that the Communist insurgency has been reduced to a police problem that the Malayan forces can themselves control.

30. For the defense of the Federation the British are in process of training local military units. In addition, to advance their strategic objectives in the area, the British are developing three air bases in the Federation (and one in Singapore) capable of supporting jet bomber operations and have obtained military commitments from both New Zealand and Australia for Malayan defense. The British hope for an eventual mutual defense agreement with the new dominion, including the preservation of base rights.

31. If the UK granted full self-government and withdrew from Malaya in the next few years, we believe that the Communists would almost certainly take over the country. Ma-

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layan forces, now only seven battalions strong and lacking native leadership, could not be built up sufficiently to contain the guerrillas, and civilian resistance to subversion would crumble.

32. *Communist Prospects.* Certain important factors are operating to the benefit of the Communists, and probably will continue. First among these is the powerful attraction of Communist China itself for many Malaya-born Chinese, particularly among the youth, many of whom are going back to China as students or visitors. Among other Malayan Chinese, who are basically antipathetic to Communism, there is the fear of retribution for failure to cooperate, if the Communists should eventually take over Malaya. There is also the coincidence of the latest Communist tactics with rising Malay nationalism: Nationalists and Communists can share a common anticolonial, anti-British platform. Moreover, among the Malays there appears to be increasing complacency about the Communist threat, for which the effectiveness of the security forces' anti-Communist measures is largely responsible. The Alliance has stated that, if elected, it will press the reluctant British authorities to offer amnesty to the guerrillas, with a choice of rehabilitation or repatriation to China.

33. The Communist tactics of penetration and subversion have made some headway over the past two to three years. The Communists have had considerable success in penetrating local Chinese schools, and in turning Chinese youth against military service. There is some penetration of the Home Guard in small towns and rural areas. Communist influence is apparent in the left wing of the UMNO, especially in that party's youth organization, whence the most extreme anti-British and anticolonial sentiments emerge.

34. However, important factors are also working to the disadvantage of the Communists. The Party is outlawed, and it cannot operate in the open. Moreover, none of the international Communist front organizations is known to be represented in Malaya. The Communists remain widely unpopular primarily because of their earlier indiscriminate

policy of terrorism. Their organization in the main towns appears to be weak, and the necessity to coerce the population to obtain supplies for the guerrilla forces hampers Communist political work. Being largely Chinese, the Communists have not had much success in overcoming the racial prejudice of the Malay and Indian communities. No effective "united fronts" have yet been created. Trade union penetration has been sharply limited. Finally, the British authorities almost certainly will continue to advertise and demonstrate their intention to retain ultimate power in Malaya — while gradually turning over civil responsibilities to local leaders — until the Communist threat has been extinguished. In the absence of important Communist successes abroad, these actions are likely to check defections of the fence-sitting Malayan Chinese, who are moved less by ideology and sentiment than by power realities. So far the only significant large Chinese political party, the MCA, appears to be virtually free of Communist penetration.

35. Serious economic setbacks, particularly a substantial and protracted drop in the prices of natural rubber and tin, would enlarge Communist opportunities for trouble-making. However, if Malayan prosperity declined seriously, the UK probably would provide some economic aid to minimize repercussions.

36. If Vietnam, Laos, and Cambodia fell to the Communists, and Communist pressure were being directly exerted upon Thailand and Burma, Communist activities in Malaya would be intensified and the general morale of non-Communists in Malaya lowered. Many non-Communist Asians would feel that the Manila Pact was proving ineffective against the expansion of Communism in Southeast Asia. Many more local Chinese would cooperate with the Communists, while some now supporting the government would adopt a wait-and-see attitude. However, we believe that the British authorities could and probably would cope with this more difficult situation. At the same time, the British would seek to determine US intentions with respect to the defense of Thailand and Burma.

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37. If, in addition to the foregoing developments, Indonesia also became Communist, Australia might be less disposed to commit substantial forces in Malaya. Nevertheless, the British would continue to hold Malaya until they estimated that the forces that could prudently be committed to its defense were insufficient to maintain the authority of a non-Communist government. In such event, the British and Australian determination to continue their resistance would be dependent upon the kind and amount of support which the US offered them.

38. In any event, if the Communists came to power in Thailand, recognition would be widespread that the Manila Pact had failed in its purpose. The security situation in Malaya would quickly become critical. Maintenance of border security and preservation of internal control would require an enormous effort. In these circumstances, we believe that the participating Commonwealth powers would foresee the inevitable loss of Malaya, unless prompt and substantial US aid was forthcoming. With such aid, including an agreement to commit US military forces if necessary, the Commonwealth powers probably would elect to defend Malaya.<sup>3</sup>

## SINGAPORE

### Background

39. Singapore was organized as a separate Crown Colony after World War II. Since then the British authorities have granted to

<sup>3</sup> The Director of Intelligence, The Joint Staff, believes that all of this paragraph after the second sentence should be deleted and the following be substituted:

"In this situation, even though border security could be maintained at an enormous effort, British internal control of Malaya would have been lost as a result of a swing to active support of Communist operations by a large number of formerly pro-British or uncommitted Chinese and Malays. In this circumstance, the introduction of US aid, including military forces, would probably not be effective in recovering Malaya from Communism and would corroborate in the eyes of Asians Communist charges of US imperialism and support of colonialism."

the colony more rapid advances toward local self-government than to the Federation, culminating in the election on 2 April 1955 of a majority of the Legislative Council and the subsequent establishment of a native majority in the Executive Council. However, the British authorities, headed by the governor, retain an ultimate veto in all important sectors of public affairs and they retain full control of internal security matters, foreign affairs, finance, and defense. It is British policy to retain these powers until the eventual union of the colony with the Federation.

40. Of Singapore's approximately 1.1 million population, some 79 percent are Chinese, 13 percent Malays, 7 percent Indian, and 1 percent Europeans. In addition to having numerical superiority, the Chinese dominate economic activity in Singapore as in the Federation. The loyalties of most are uncertain; probably the majority have been conservative and anti-Communist, but the realities of power are more important to them than principle and sentiment; and most of them are likely to hedge their positions according to developments in the Far East. A large part of Chinese youth is attracted by the appeals of Communist China, and vulnerable to local Communist agitators.

41. Singapore has enjoyed a fairly stable prosperity in the postwar period, despite fluctuation in the prices of natural rubber and tin. Its marketing and primary processing facilities for raw materials have been constantly busy, and its facilities as a world trade center have continued to attract traders throughout a wide area of Asia. Moreover, the colony possesses numerous active secondary industries, which have contributed to a moderate economic expansion. Government finances have usually shown annual surpluses, and a substantial monetary reserve has been built. Welfare measures have begun to be expanded. Although unemployment may increase somewhat as a result of the population's rapid growth, emigration to the Federation can offer some relief, and no serious, protracted economic decline is in prospect for the next few years.

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42. *The Communists.* Singapore has long been an organizational center for Malayan Communist activities. It is a source of some food and arms for use in the Federation, and it may be a rest center for guerrilla leaders. The Communist Party in Singapore number about 200, and has an estimated 1,800 sympathizers, nearly all Chinese. It is under direction of the Malayan Communist Party.

43. As in the Federation, Singapore Communists undertook a program of terrorism and violence in 1948, and after 1951 subordinated such tactics to infiltration and subversion. Intensive police work and comprehensive surveillance of suspected subversives, together with political and social measures, have comprised the Singapore government's program for countering the Communist threat. A force of some 5,000 police and special constables, officered by the British, was built up, and British ground forces were raised to 12,500. The very small Royal Malayan Navy is based on, and financed by, Singapore.

44. At present Communists are most active in infiltrating Chinese youth groups and Chinese schools, and they have registered considerable success. Moreover, pro-Communist students are succeeding in intimidating and disorganizing those who are anti-Communist. Agitators helped organize student strikes against compulsory registration for military service, and resistance to government measures regulating schools and youth associations. Chinese youths in increasing numbers are going to China for higher education, and some are returning to Singapore. The Communists played a large part in obstructing establishment of a western-oriented Chinese university. They have had limited success in penetrating some trade unions, particularly the dockers. They recently demonstrated their power to exploit a union grievance by organizing a large-scale disorder, in which Chinese students combined with strikers to paralyze a section of the city. The extreme left wing legal political party appears to have been penetrated. The Communists appear to have been increasingly successful in intensifying anti-British sentiment, but not as yet any strong and sustained anti-US senti-

ment, particularly since rubber prices have regained satisfactory levels and demand for tin continues good.

## Outlook

45. *Political.* Of the party and independent candidates who ran in April for the 25 elected seats of the 32-seat Legislative Council, leftists achieved a success that surprised even their leaders. The conservative parties captured only six seats. On the extreme left, the Communist-influenced Peoples Action Party won three seats. The Labor Front, moderate socialist in orientation, gained 10 seats, and its leader has formed the colonial Cabinet under the governor. The Labor Front campaigned on promises to expand government-financed welfare state measures, to achieve union with the Federation, to seek rapid advance toward independence for Malaya within the Commonwealth, and to end the emergency regulations under which the government has fought Communist activity.

46. However, apart from quickening the pace of social reforms, the Labor Front probably will be unable to carry out its program very rapidly. Singapore's future is bound up with that of the Federation, yet early union with the Federation probably will be opposed by Federation Malays, fearing that addition of Singapore's Chinese to the Federation's would result in the Malays being outnumbered and outvoted. Until the Communist menace has subsided, the British authorities and moderates in the Council almost certainly will block any attempts substantially to change the emergency regulations. Moreover, the problem of daily administration, broader governmental responsibilities, and political maneuvering will absorb much of the energies of the local political leaders.

47. *Communist Prospects.* Some expansion of Communist strength and capabilities in Singapore appears likely, although the Communists almost certainly will remain unable to take over the colony while the British retain control in the Federation. As long as Communist China appears to grow in strength and prestige, retains its romantic appeal, and offers free education to overseas

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Chinese youth, anti-Communist measures in the psychological field may be expected to have little impact. Likewise, most Chinese probably will remain noncommittal on the Communist issue, so long as they fear the possibility of a Communist sweep of Southeast Asia, or feel intimidated by local terrorists. However, the government, using its emergency powers, and with the support of anti-Communist leaders, probably will prevent the Communists from gaining full control of important mass organizations, except for Chinese student groups. Communist capabilities probably will be limited to instigating sporadic strikes, disorderly demonstrations, and acts of assassination and sabotage. The British-led police will continue to maintain intensive pressure on the Communists. British military forces will remain available for emergencies. In addition, part-time training of local conscripts is under way, and those are to be organized into 10 small ground force units by the end of 1956.

### III. BRITISH BORNEO

#### Background

48. British Borneo, composed of the colonies of Sarawak and North Borneo, and the protectorate of Brunei, is politically tranquil.

The area contains about 675,000 natives and 235,000 Chinese. Each of the territories is ruled under British Colonial Office direction, and there is virtually no internal pressure for political development. Economic trends in each have been moderately favorable, especially in Brunei, which is prospering from the expanding production of its rich oil fields.

49. Communist activity is at a low level. Though the Party is banned, there is some evidence of Communist penetration in Chinese schools and some propaganda among oil field workers in Brunei.

#### Outlook

50. British control of its Borneo possessions almost certainly will remain firm through 1960, and any nationalist feelings that may stir probably will be dealt with by small concessions.

51. The Chinese population will be a target for Chinese propaganda and subversion, and some Chinese, particularly the youth, can be expected to develop a sympathetic attitude toward Mao's China. However, the British-led police and constabulary in the area almost certainly will be able to prevent serious disturbances.

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